

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

THE APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC., FOR AUTHORITY)
FOR THE ISSUANCE AND SALE OF) CASE NO. 8199
PROMISSORY NOTES)

O R D E R

On April 6, 1981, Columbia Gas of Kentucky, Inc. ("Applicant"), a wholly-owned subsidiary of the Columbia Gas System, Inc., filed its duly verified Application seeking authority to borrow from the Columbia Gas System, Inc. ("Columbia"), up to \$2,800,000.

The Applicant proposes to secure these funds, which will be used to finance a portion of its 1981 construction program, by the issuance and sale to Columbia of installment promissory notes due in twenty (20) equal annual installments on January 31st of each of the years 1983 to 2002 inclusive. Interest is to be paid semi-annually on January 23rd and July 31st on the unpaid principal of said notes, at a rate which will be the actual cost of money to Columbia with respect to its last sale of debentures in 1980 (12.9%), or any subsequent sale of debentures decreased by an amount necessary in order that the interest rate be a multiple of one-tenth of one percent. Moreover, should Columbia issue any notes under its Revolving Credit and Term Loan Agreement, dated April 1, 1980 ("Term Agreement"), among Columbia and certain banks named therein, then notes issued by Applicant subsequent to such financing may be Floating Rate Term Notes due March 31, 1987, instead of Installment Promissory Notes. Interest, to be paid by Applicant on the Floating

Rate Term Notes, will be paid on a calendar quarterly basis on the unpaid principal amount of said notes at a floating rate which will be equal to the effective cost of money to Columbia under the Term Agreement.

The Commission, after consideration of the application and being advised, is of the opinion and finds that the proposed borrowing is for a lawful object within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that Columbia Gas of Kentucky, Inc., be and hereby is authorized to borrow from Columbia up to \$2,800,000 and to issue installment promissory notes and/or floating rate or term notes.

IT IS FURTHER ORDERED that the proposed borrowing shall be under the same terms and conditions as set out in the application.

IT IS FURTHER ORDERED that the proceeds from the proposed borrowings shall be used only for the lawful purposes as set out in the application.

IT IS FURTHER ORDERED that Columbia Gas of Kentucky, Inc., shall file with this Commission a copy of its joint Application-Declaration filed with the Securities and Exchange Commission.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky this 30th day of April, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs
Chairman

Suzanne Randall
Vice Chairman

Gene Harizan
Commissioner

ATTEST:

Secretary